

Ex.-PSC-Pilo-1
Docket 9400-YO-100
Witness: Randel A. Pilo
January 12, 2015
Cover Page

Public Service Commission of Wisconsin
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**Application of Wisconsin Energy Corporation for Approval to Acquire the Outstanding
Common Stock of Integrys Energy Group, Inc.
Docket No. 9400-YO-100**

**PSCW First Set of Request Items
Request No. 01.03 Response**

REQUEST NO. 01.03:

If 60% of ATC is brought under the new combined company resulting from the merger to in essence reconstitute a new vertically integrated company and using the capital structure treatment the PSCW sets for WE or WPS inclusive of ROE, how much would ATC's transmission service charges decrease?

RESPONSE TO REQUEST NO. 01.03:

ATC's transmission service charges are calculated in accordance with its FERC-approved formula rate, set forth in Attachment O-ATCLLC and collected under Schedule 9-ATC of the Midcontinent Independent System Operator transmission tariff. The formula includes the use of a hypothetical capital structure pursuant to the settlement in FERC Docket No. ER04-108. ATC does not expect that the proposed acquisition of Integrys will affect the composition of ATC, the ownership of ATC's assets or its rate formula – i.e., it is not expected that ATC will be disaggregated as a result of the acquisition of Integrys. ATC's FERC-jurisdictional rate base will not be transferred to entities under PSCW jurisdiction, and ATC's transmission service charges will not decrease absent FERC action. As ATC understands the hypothetical posed by this data request, based on consultation with the requestor, ATC is requested to calculate what would happen if the FERC-approved 12.2% return on equity would apply to only 40% of its rate base, and the PSCW-approved 10.4% return on equity for Wisconsin Electric applied to 60% of its rate base. That calculation would result in a difference of approximately \$23.7 million in ATC's annual revenue requirement, including taxes collected in rates on behalf of ATC's taxable members. See Attachment 01.03-1. As explained above, ATC does not consider this a plausible hypothetical.

Dated this 15th day of October, 2014.